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No. 85-1410

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

MALONE & HYDE INC.,

Petitioner,

v.

TANDY CORPORATION,

Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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INTRODUCTION

Petitioner ("Malone & Hyde") respectfully submits this reply to address a novel argument raised by respondent ("Tandy") in its opposition to the Petition for Writ of Certiorari and to correct factual assertions made by the respondent in its opposition.

I. Tandy's Argument That A Writ Of Certiorari Should Not Issue To Review An Interlocutory Decision Of The Sixth Circuit Is In Error

The Brief in Opposition erroneously asserts that Tandy's "state common law unfair competition

claims" are governed by Tennessee's three-year statute of limitations (Brief in Opposition p. 14, n.3). The implication of this assertion is that certiorari should be denied because Tandy's common law claims are yet to be resolved. Not only has Tandy failed to make this assertion in the courts below, but Tandy is mistaken in its characterization of Tennessee's common law as well as the disposition of those claims in the courts below. As established by *Simmons Medicine Co. v. Mansfield Drug Co.*, 93 Tenn. 84, 23 S.W. 165 (1893), and *Supreme Lodge Knights v. Grand Lodge Knights*, 2 Tenn. Civ. App. (Higgins) 429 (1911), Tandy's delay in asserting its common law trademark and unfair competition claims would not be controlled by Tennessee's statute of limitations, but rather would be controlled by the ordinary application of the defense of laches. Tandy's common law claims were dismissed, along with its federal claims, when the District Court entered summary judgment in favor of Malone & Hyde. Thus, the Sixth Circuit's "Laches-Plus" rationale creates the anomalous situation of requiring reference to Tennessee's three-year statute of limitations for federal trademark claims while Tennessee's courts have not applied the statute to analogous claims under state law.

Malone & Hyde's petition raises clear-cut issues of law that are fundamental to the final disposition of the case and which otherwise qualify as a basis for the grant of certiorari. The Sixth Circuit's "Laches-Plus" rationale presents novel[1] and important ques-

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[1] The Sixth Circuit's "Laches-Plus" rationale has been characterized as "curious." Fletcher, A. and Weinberg, S., "The Thirty-Eighth Year of Administration of the Lanham Trademark Act of 1946," 75 *Trademark Rep.* 573, 754 n. 1053 (1985).

tions of law that are critical to every American business that uses a trademark or trade name. If Malone & Hyde's position is sustained, the Sixth Circuit's "Laches-Plus" decision would be vacated and the case finally dismissed. Certiorari accordingly should not be denied because of the nominally interlocutory nature of the Sixth Circuit's opinion.

Tandy's characterization of the issues raised in the petition as commonplace ignores the far reaching implications of the Sixth Circuit's "Laches-Plus" decision. The selection and promotion of new trademarks is a regular part of American business life. Those businesses that have made good faith efforts to adopt and promote new trademarks should have the benefit of knowing that objections to the use of those marks by well-informed merchants must be made at an early stage in the development of new business ventures. Likewise, a well-informed merchant such as Tandy should be required to take the simple step of giving early and prompt notice of an objection to the use of a trademark. As the District Court noted, Tandy's normal practice was to send timely demand letters to alleged infringers, but Tandy abandoned that practice without explanation when it came to Malone & Hyde's use of AUTO SHACK. *Tandy Corporation v. Malone & Hyde Inc.*, 581 F. Supp. 1124, 1128 (M.D. Tenn. 1984) [*See* Appendix to Petition, p. 20a], *rev'd on other grounds* 769 F.2d 362 (6th Cir. 1985). Reversal of the Sixth Circuit's "Laches-Plus" rationale would discourage rather than encourage litigation by requiring that businessmen act early enough to avoid economic waste and while the investment in an allegedly infringing mark is still nominal. Under these circumstances, a prudent businessman would be pre-

disposed to adopt a different mark rather than engage in protracted litigation even though he has meritorious defenses.

II. Tandy's Argument That The Sixth Circuit Properly Insisted That Extraordinary Circumstances Be Established To Divest Tandy Of Trademark Rights Is In Error

The intimation in Tandy's Brief in Opposition that dismissal of its action on the basis of laches would "divest" its trademark rights is wholly in error. Reinstatement of the District Court's dismissal of Tandy's action against Malone & Hyde would not divest any of Tandy's trademark rights. Instead, a dismissal predicated on laches would merely bar Tandy from seeking relief against Malone & Hyde for its use of the mark AUTO SHACK in connection with the sale of automobile parts and accessories. Tandy would remain free to assert its rights in the trademarks in suit against any other use which it deemed objectionable.

III. Tandy's Argument That Malone & Hyde's "Deliberate Imitation" of "Famous Marks" Precludes It From Asserting Laches Ignores Both The Undisturbed Holding Of The District Court That Malone & Hyde Adopted AUTO SHACK In Good Faith And The Substantive Legal Issues Presented By The Petition For Writ Of Certiorari

Rather than addressing the significant substantive issues presented by the petition, Tandy has used its Brief In Opposition as an opportunity to re-argue the question of whether Malone & Hyde adopted AUTO SHACK in good faith. Reduced to its essentials, Tandy argues that Malone & Hyde acted in bad faith because: (1) certain of its officers knew of RADIO

SHACK at the time AUTO SHACK was adopted; (2) AUTO SHACK was selected due to a desirable connotation of SHACK associated with Tandy; and (3) it followed a "policy" of imitating nationally recognized brands.

The District Court considered each of these contentions and concluded that Malone & Hyde had affirmatively "demonstrated its good faith adoption of the AUTO SHACK mark. . . ." 581 F. Supp. at 1130 [*See* Appendix to Petition, p. 23a]. The Sixth Circuit did not disturb or even question this conclusion on appeal. As demonstrated below, each of the points advanced by Tandy is without merit in fact or law.

It was not disputed that several of Malone & Hyde's officers involved in the selection process which led to AUTO SHACK were aware of the name RADIO SHACK. However, as the District Court correctly noted, mere knowledge of another's use of a similar mark does not establish bad faith which would render the defense of laches unavailable. *Armco, Inc. v. Armco Burglar Alarm Co., Inc.*, 693 F.2d 1155, 1159 n.7 (5th Cir. 1982). *Accord, Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370, 375 (3d. Cir. 1949), *cert. denied*, 339 U.S. 934 (1950).

Tandy contends that AUTO SHACK was chosen because of an intent to capitalize on the "desirable connotation" purportedly given the word "shack" by Tandy's use of RADIO SHACK. This contention cannot withstand scrutiny for the following reasons:

(1) "Shack" is a common dictionary word which, according to the undisputed proof before the District Court, is used throughout the United States by no

fewer than 1,006 other businesses unrelated to Tandy. 581 F. Supp at 1131 n.8 [*See* Appendix to Petition, p. 25a]. While the word "shack" in a trade name may connote discount, there is no evidence that Malone & Hyde (or any of the other 1,006 nonrelated users of SHACK names) combined SHACK with a descriptive word to exploit any connotation given the word "shack" by Tandy whose RADIO SHACK stores are not even associated with discounted merchandise.

(2) In 1979, Malone & Hyde adopted AUTO SHACK in response to the offer of Albert J. Scavariel, the owner of Auto Shack, Inc. of Phoenix, Arizona, after the proposed merger of Auto Shack, Inc. and Malone & Hyde was not consummated. This offer was accepted because of the success of Mr. Scavariel's business and because it indicated that he was interested in maintaining close ties with Malone & Hyde which might lead to a merger or acquisition in the future. Indeed, the District Court concluded, and the Sixth Circuit did not question, that "[n]o dispute exists that defendant [Malone & Hyde] adopted the mark from Mr. Scavariel because of the close cooperation and hope for future merger between the two." 581 F. Supp. at 1130 [*See* Appendix to Petition, p. 23a]. The selection of AUTO SHACK had everything to do with Mr. Scavariel and his business, and nothing to do with Tandy.

Finally, Tandy predicates its claim of bad faith on *Kroger Co. v. Johnson & Johnson,* 570 F. Supp. 1055 (S.D. Ohio 1983), in which Malone & Hyde, in addition to others including Kroger Company, was found to have infringed the trademark TYLENOL. This decision has little, if any, probative value here because it has long been settled that each trademark infringe-

ment case must be decided on its own merits. *E.g.*, *Curtis Burns, Inc. v. Northwest Sanitation Productions, Inc.*, 530 F.2d 1396, 1399 (C.C.P.A. 1976) (Prior decisions on other marks for other goods are of very little help; each case must be decided on its own facts).[2] The decisions of the courts below clearly reject Tandy's recurrent assertions of bad faith, poaching and deliberate infringement. Tandy's recital of these failed arguments in response to Malone & Hyde's petition underscores the fundamental weakness of the Sixth Circuit's "Laches-Plus" rationale.

CONCLUSION

Tandy's opposition to Malone & Hyde's petition provides no sound reasons for this Court to deny certiorari. Moreover, Malone & Hyde's petition and the entire record present important questions of law which require resolution by this Court.

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[2] Moreover, the only purpose for which Tandy seeks to use the *Kroger* case, either here or in the courts below, is expressly prohibited by Rule 404 of the Federal Rules of Evidence which renders inadmissible evidence of a party's character offered for the purpose of showing that "he acted in conformity therewith on a particular occasion." Thus, proof that Malone & Hyde may have infringed another's mark in a different case, and under other circumstances, is inadmissible to show anything about its conduct in this case and the District Court and the Sixth Circuit properly disregarded it.

Respectfully submitted,

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